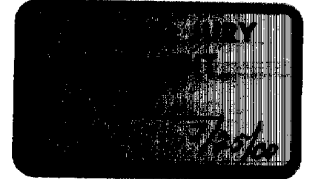




3 MONTH COMPETITIVE ANALYSIS LUPRON VS. ZOLADEX

Zeneca is in the process of launching Zoladex 10.8 mg. Let's look at the different approaches they have chosen to take. We will evaluate how each approach really benefits us! There are several key areas which we will review:

- Reimbursement
- Product differences
- Pricing



REIMBURSEMENT:

Our customers have perceived our knowledge in the area of reimbursement to be an important and significant TAP value-added service. We expect this perception to continue as we launch Lupron Depot-3 Month. Our recommendation to have offices submit claims using the current J9217 code x 3 units came about after many meetings with reimbursement consultants. Our objective was simple: How can our customers continue to receive reimbursement at the levels and within the time frame with which they have become accustomed? A strong recommendation from these same consultants was **NOT** to take the approach which Zeneca has taken.

The Zeneca approach:

On Monday, January 29th, Zeneca had a 7% price increase for Zoladex 3.6 mg. The acquisition price for one unit is now \$306.92 and the expected AWP will be \$383.65.

Zoladex 3-month 10.8 mg has a \$966.79 acquisition price for one unit and an anticipated AWP of \$1208.49.

There is not pricing parity between the one- and three-month Zoladex products. The three-month is priced 5% per month higher than the one month (or 12% higher than the old price of \$286.84). This means that offices would lose revenue by billing with the current J9202 code for Zoladex x 3. This would reduce an office's "return to practice" based on the higher price they pay for the three- over the one-month product.

If the Zeneca rep recommends filing using the 'J9203 x 3' code, let's look at what happens:

The doctor purchases 60 3-Month Zoladex kits at a price of \$754.10

3 x J9202 = \$1150.95 (anticipated AWP for 1 Month)

3 x J9999 = \$1208.49 (anticipated AWP for 3 Month)

Loss of revenue using 3 x J9202 = \$57.54/unit.

For a purchase of 60 units, this is \$3,452.40

TAP 5118174



There have been field reports that Zeneca representatives are advising offices to submit claims using the miscellaneous J9999 code (Not otherwise classified, antineoplastic drugs). What does this mean? **It means that Zeneca is going back to square one in terms of reimbursement.....no established code and no established allowable.**

Use the following points to plant seeds of doubt with your accounts about having Zeneca's new three-month product readily reimbursed when the miscellaneous J9999 code is used.. Zeneca's reimbursement strategy for their new product means slow and inconsistent reimbursement.

- Using the miscellaneous code means that claims cannot be electronically submitted, which slows down the claims process. It is likely that the office will not see reimbursement for several months...and very possibly longer.
- Medicare usually reimburses off of Redbook pricing. The new Zoladex one- and three-month prices will most likely not be published until the March Redbook. You know how long it takes to have allowables updated in your state.
- While Medicare usually uses Redbook pricing, they may request invoices. Your doctors will not want to submit invoices showing the difference between AWP and acquisition cost if they have purchased at a quantity discount.
- HCFA is implementing a new policy to discourage new codes. They would like to reduce the number of existing codes. This is one of the reasons our consultants recommended that TAP use the existing J9217 coding for our three-month.
- What does it take to establish a code? Six months of claims data needs to be collected and analyzed then a report needs to be submitted by April 1st to HCFA for a new code to then be given the following January. Zeneca will not have six months of data by April. So, the earliest filing would be April of 1997 with a new code (if they were given one) given for use in January of 1998.
- How will the three-month data look when it is submitted to HCFA? Due to the higher AWP for the three-month in comparison to the one-month, Zeneca may have to explain why they have a higher AWP with the three-month. HCFA would lose money by giving the three-month a code and therefore may be disinclined to do it.

There are a number of reasons why Zeneca's reimbursement strategy should be discredited. We know that reimbursement is critical to the early and continued success of Lupron Depot-3 Month. While we do not anticipate any reimbursement difficulties, we will collect and analyze data on up to 45,000 Medicare claims with the *Reimbursement Experience Program*. Additionally, we have the *Medigap Assistance Program* to help patients who do not have Medigap coverage.

PRODUCT DIFFERENCES:

There are several similarities between our products according to the respective package inserts:

- Both have been given an indication for 3 months which is.....12 weeks or 84 days. The two time periods are equivalent.

TAP 5118175



GX001073



- The side effect profiles are the same except that “pain at the injection site” is not listed in the Zoladex three-month adverse event section but is noted as occurring with the one-month.

Do not underestimate the difference between the three-month products. The administration with a 14 gage needle can raise some issues with nurses and physicians in your offices :

- Local anesthetic should be considered and this takes additional time to give injections.
- Who is qualified to give a 14 gage injection? In most cases, it will be the physician who will administer the product.
- Anytime an injection is given, there is a need to aspirate for blood return into the syringe. This cannot be done with the Zoladex syringe.
- Vessel puncture and large bone precautions need to be taken.

And remember..we are going from a 22 to a 23 gauge needle. The Lupron administration requires a simple, intramuscular injection...what the patients and the office staff have become used to.

PRICING

There has already been a discussion of the new pricing for the Zoladex one- and three-month products and how the Zeneca pricing strategy impacts reimbursement. The following is a review of their new pricing structure:

Published list price for **Zoladex 3.6 mg** (goserelin acetate implant)

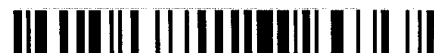
\$383.65

Quantity Ordered	Price
1-5	\$ 306.92
6-11	\$ 285.43
12-23	\$ 273.16
24-47	\$ 263.95
48-59	\$ 254.74
60-71	\$ 248.60
72-95	\$ 242.47
96-191	\$ 239.40

TAP 5118176



GX001074



Published list price for **Zoladex 3-Month 10.8 mg Depot** (goserelin acetate implant)
\$1208.49

Quantity Ordered	Price
1-5	\$ 966.79
6-11	\$ 860.45
12-23	\$ 821.78
24-47	\$ 802.44
48-59	\$ 773.44
60-71	\$ 754.10
72-95	\$ 734.76
96-191	\$ 725.10

What will our “cost to the system” urologist think about this price increase now?

Zeneca had a 7% increase in their one-month unit price and a 12% increase (over the old one month pricing) in their three-month price. Their last 5% price increase in January of 1995 caused customers to become dissatisfied with Zeneca and we gained back some accounts.

What about the large quantities which need to be purchased to receive the maximum 25% three-month discount?

96 units is close to a 300 vial purchase (a \$69,600 invoice) and 191 units is almost a 600 vial purchase (a \$138,494 invoice). That is a huge cash outlay....considering reimbursement is an unknown. An account only needs to order 34 kits of Lupron 3-month to reach the top discount. Zeneca is making their customer buy three times the amount of drug to achieve a lower “return to practice”.

How can I compare “return to practice”?

Based on the different discount structures, it is no longer an “apples to apples” comparison. It becomes a little more complicated.

If an office wants to order 60 three-month kits, the Zoladex price is \$754.10 per kit and the Lupron price is \$1059.99 per kit.

If an office wants to order 40 three-month and 30 one-month, the Lupron order would be in monthly equivalents or 150. To determine the Zoladex price, the units are added: 40 + 30=70. The three-month price is \$754.10 and the one-month price is \$248.60 (look to find 70 under “Quantity Ordered”).

To assist you in determining “return to practice”, there is an Excel attachment:

- **Cash Flow Analysis**

This program will assist you in determining pricing and “return to practice” for combination Lupron and Zoladex orders. A special thanks to Joe Medel (AXC01) for his assistance in the design of this program.



GX001075

TAP 5118177



To ensure that you understand the attachment to this memo, your managers will be able to assist you and guide you through this on Friday, February 2nd.

TAP is able to maintain "return to practice" superiority at nearly every discount level, which will be another reason your urologists will maintain their commitment to Lupron and TAP.

This is a comprehensive overview of where we stand against our competition relative to reimbursement, product differentiation, and pricing. Once again, we have taken our customer into account when setting price and establishing reimbursement. Most importantly, we have once again demonstrated our commitment to urology.

GOOD SELLING and.....
THINK UROLOGY and.....
LUPRON DEPOT-3 Month!!


GX001076

TAP 5118178

